

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
ASHEVILLE DIVISION

FILED
ASHEVILLE, N.C.
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U.S. DISTRICT COURT
W. DISTRICT OF N.C.

UNITED STATES OF AMERICA)
)
v.)
)
THOMAS W. JONES,)
)
Defendant.)
)
)
)

DOCKET NO. 1:01CR84

BILL OF INDICTMENT

Vio: 18 U.S.C. § 1344
18 U.S.C. § 1014
18 U.S.C. § 1005
18 U.S.C. § 371
18 U.S.C. § 1956(h)
18 U.S.C. § 2

THE GRAND JURY CHARGES:

INTRODUCTION

1. At all times relevant to this indictment, the defendant THOMAS W. JONES (hereinafter referred to as "JONES") was an attorney at law engaged in a one-lawyer practice in Sylva, North Carolina, in Jackson County, in the Western District of North Carolina. His practice was primarily concentrated in the field of real estate law.

2. At all times relevant to this indictment, Charles E. Cagle (hereinafter sometimes referred to as "Cagle"), was the president and owner of Cagle & Son Ford, Inc., a vehicle dealership located in Sylva, North Carolina. Cagle was a life-long resident of Jackson County, was a businessman and land owner there, and was on the board of directors of First Union National Bank in Jackson County.

3. At all times relevant to this indictment, Blue Ridge Savings Bank (hereinafter sometimes referred to as "Blue Ridge"), was a state-chartered financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation ("FDIC"). Blue Ridge was subject to regulation and inspection by state authorities and by the FDIC and the Office of Thrift Supervision

of the United States Department of the Treasury. Blue Ridge had its headquarters and primary office in Asheville, North Carolina, in Buncombe County, in the Western District of North Carolina.

4. At all times relevant to this indictment, the maximum total dollar value of all loans that Blue Ridge could legally make to any one borrower was \$500,000, pursuant to Title 12 of the Code of Federal Regulations, Section 563.93(d)(1). This limit was known as the Loan-To-One-Borrower rule, or the LTOB rule.

5. In the summer of 1992, Cagle & Son Ford, Inc., was indebted for more than \$800,000 to Community Bank & Trust, a financial institution located in Sylva, North Carolina, and that bank was demanding immediate payment of that debt. On or about August 17, 1992, Cagle and his wife secured a loan from Blue Ridge for the maximum legal amount authorized by the LTOB, \$500,000. They obtained this loan by executing a promissory note to Blue Ridge for \$500,000, secured by a deed of trust on their primary residence in Sylva. JONES was the attorney selected by Cagle who prepared the necessary legal paperwork and "closed" the loan.

6. Cagle needed to borrow more money from Blue Ridge to satisfy the Community Bank & Trust debt, but he had reached the \$500,000 LTOB limit. To evade that limit, Cagle transferred certain real property in Jackson County into the name of his mother. JONES prepared the deed to accomplish that transfer. On or about December 16, 1992, Cagle's mother then borrowed \$315,000 from Blue Ridge, secured by a deed of trust on the property which Cagle had recently transferred into her name. JONES prepared the necessary paperwork and handled the closing on this loan on or about December 16, 1992. As part of that closing, JONES deposited into his trust account a check from Blue Ridge for \$315,000, then disbursed \$250,000 to Community Bank & Trust to be credited to the Cagle & Son debt, and wrote a check to Cagle's mother for \$62,036, representing the

remainder of the loan proceeds, minus fees and expenses. That check was endorsed by Cagle's mother and by Cagle and was deposited into an account controlled by Cagle at First Citizen's Bank in Sylva.

7. By March of 1993, Cagle needed to borrow more money. To accomplish this, and again to evade the \$500,000 LTOB limit at Blue Ridge, Cagle decided to secure a loan falsely in the names of his daughter and son-in-law, Cheri Espinosa and Jaime Espinosa. On or about March 3 and 4, 1993, Cagle completed a loan application and submitted it to Blue Ridge in the names of the Espinosas. Cagle forged the signatures of both Jaime Espinosa (whose name he misspelled as "Jamie") and Cheri Espinosa on the loan application. The Espinosas lived in California, and were unaware that their names were being submitted as loan applicants.

8. Cagle was the true owner of a house and land located at 58 Alvin Dillard Road, in Sylva, which he had purchased in 1992 but had titled in the names of another daughter and her husband. Cagle planned to use this property to secure the loan that was to be obtained falsely in the names of the Espinosas. He therefore caused JONES to prepare a deed conveying that property from the title-holding daughter and son-in-law to the Espinosas. On or about March 5, 1993, that deed was executed by the title-holding daughter and son-in-law as grantors. No signatures on the deed were required from the Espinosas, as the supposed grantees. JONES did not record the deed at that time. This property, now in the names of the Espinosas, was to be the collateral securing the loan from Blue Ridge.

9. Blue Ridge approved the loan to Jamie [sic] and Cheri Espinosa for \$280,000, and the closing for that loan was set in JONES's law office for March 11, 1993.

10. On or before March 11, 1993, JONES also had his secretary prepare the necessary legal documents, including the promissory note, the deed of trust, and the HUD-1 Settlement Statement, all of which indicated that Jamie and Cheri Espinosa were borrowing the \$280,000 from Blue Ridge.

11. On or about March 11, 1993, JONES received a check from Blue Ridge made out to the order of the Thomas W. Jones, Attorney Trust Account for \$280,000, representing the loan proceeds. On or about March 11, 1993, Jones deposited that check into his trust account at First Citizens Bank in Sylva.

12. On or about March 11, 1993, JONES conducted this loan closing at his law office in Sylva. The Espinosas were not present for the closing, nor had they signed any type of power of attorney designating anyone to sign documents in their names. Indeed, the Espinosas were not aware of the loan or of the closing. Instead, with the knowledge of JONES, Cagle forged the signatures of Jamie and Cheri Espinosa on the promissory note, the deed of trust, and other necessary legal documents. Knowing that the Espinosas' signatures had been forged, JONES nonetheless directed his legal secretary, who was also a notary public, to notarize the Espinosas' signatures and to certify falsely that the Espinosas had personally appeared before her and had acknowledged the execution of the deed of trust.

13. On or about March 11, 1993, JONES submitted, or caused his secretary to submit, the March 5, 1994, deed transferring title for the real property to the Espinosas, as well as the forged deed of trust, to the office of the Register of Deeds of Jackson County. The Register of Deeds recorded the deed and the deed of trust on March 11, 1993, at 2:06 p.m.

14. On or about March 11, 1993, JONES wrote a check from his trust account to the order of Jamie and Cheri Espinosa for \$278,364, representing the proceeds of the loan minus closing costs

and JONES's fee. JONES then gave that check to Cagle. Cagle forged the Espinosas' signatures on the back of the check, signed his own name as well, and deposited the check into an account he controlled at First Union National Bank in Sylva.

15. On or shortly after March 11, 1993, JONES delivered, or caused to be delivered, the forged promissory note, the recorded forged deed of trust, and the HUD-1 Settlement Statement to Blue Ridge.

16. On or about March 18, 1993, JONES also mailed or caused to be mailed to Commonwealth Land Title Insurance Company (hereinafter "Commonwealth Land Title") in Asheville an attorney's final certificate, in which he knowingly and falsely certified that the Espinosas had a legitimate marketable fee simple title encumbered by a legitimate deed of trust in favor of Blue Ridge, recorded with the Jackson County Register of Deeds on March 11, 1993. As a result of JONES's false certification, and in reliance on the same, Commonwealth Land Title issued a title insurance policy.

17. On or about March 17, 1993, JONES borrowed \$25,000 from Cagle.

18. In January of 1994, Cagle submitted another forged loan application to Blue Ridge in the names of the Espinosas, offering three additional parcels of land in Jackson County as collateral for the additional loan. Cagle needed to transfer title for these three additional parcels of land in Jackson County from himself and his wife into the names of the Espinosas. To accomplish this, JONES prepared a deed on or about January 21, 1994, with Cagle and his wife as the grantors and the Espinosas as the grantees of the three parcels.

19. On or before January 21, 1994, Blue Ridge approved this loan application. The loan was to be structured as a total loan of \$467,000, with the original loan of \$280,000 being refinanced, and

an additional \$187,000 loan being made to the Espinosas. The loan was to be secured by a deed of trust on the original property on Alvin Dillard Road, as well as the three additional parcels that Cagle was transferring into the Espinosas' name.

20. On or about the morning of January 21, 1994, the president of Blue Ridge faxed to JONES a copy of the Espinosas' March 1993 promissory note, with the old loan amounts and dates marked through, and with the new dates and amounts written in, to serve as instructions or guides for JONES in his preparation of the legal documents for the closing on the new loan.

21. On or about January 21, 1994, JONES prepared the promissory note, deed of trust, and HUD-1 Settlement Statement for the new Espinosa loan.

22. Because one of the new parcels of land had an outstanding deed of trust on it in favor of Jackson Savings Bank in Sylva, JONES inquired, or directed his secretary to inquire, of Jackson Savings Bank the amount of the payoff that would be necessary so that Blue Ridge could have a first deed of trust on the property. Specifically, JONES wanted to know what the payoff figure would be as of January 24, 1994. In response to this inquiry, on or about January 21, 1994, at 12:31 p.m., Jackson Savings Bank sent by fax to JONES's secretary the information that the payoff figure would be \$29,100.04, as of January 24, 1994.

23. On or about January 21, 1994, Blue Ridge delivered to JONES a check for \$187,000, made payable to the order of:

Thomas W. Jones, Attorney
Trust Account

This check represented the proceeds of the new loan, which was to have its closing at JONES's law office on Friday, January 21, 1994.

24. As with the March 11, 1993, loan supposedly to the Espinosas which JONES had closed, so also with regard to this loan the Espinosas were unaware that the three new parcels of land had been transferred to them through the deed which JONES had prepared, were unaware that another loan had been applied for and approved in their name, and were unaware of the closing set for January 21, 1994. The Espinosas did not come to JONES's office, nor did they sign the promissory note or the deed of trust for the new loan. They also did not prepare or grant a power of attorney for anyone else to sign their names. Rather, Cagle forged their signatures on the necessary documents, including the promissory note and the deed of trust. Nonetheless, on or about January 21, 1994, JONES once again instructed his secretary to notarize the Espinosas' signatures on the deed of trust as authentic and to certify falsely that the Espinosas had personally appeared before her and had acknowledged the execution of the deed of trust.

25. On or about January 21, 1994, JONES endorsed the back of the \$187,000 loan proceeds check from Blue Ridge as follows:

Thomas W. Jones Trust Account:
By: Thomas W. Jones

thereby turning the Blue Ridge check into the functional equivalent of cash.

26. On or about January 24, 1994, Charles Cagle endorsed the check by signing his name below the signature of JONES, and deposited the check into an account he controlled at First Citizens Bank in Sylva.

27. On or about Monday, January 24, 1994, JONES submitted, or caused his secretary to submit, to the Jackson County Register of Deeds the deed conveying the three additional parcels from Cagle and his wife to the Espinosas as well as the fraudulent new January 21, 1994, deed of

trust supposedly from the Espinosas to Blue Ridge. The Register of Deeds recorded both the deed and the deed of trust at 10:45 a.m. on January 24, 1994.

28. On or about January 24, 1994, JONES mailed a bill to Cagle for the recording fees for the "Espinosa Deed" and the "Espinosa Deed of Trust" as well as the Commonwealth Title Insurance premiums for the Espinosa property. Cagle paid this bill on or about February 18, 1994.

29. On or about January 24, 1994, Cagle went to Jackson Savings Bank and paid off the outstanding deed of trust which that bank held on one of the parcels of land that was collateral for the new Blue Ridge loan.

30. On or about January 27, 1994, JONES mailed to Blue Ridge the original recorded deed of trust for the new loan, as well as other legal documents.

31. On or about January 27, 1994, JONES mailed, or caused to be mailed, to Commonwealth Land Title in Asheville an attorney's final certificate, in which he knowingly and falsely certified that the Espinosas had a legitimate marketable fee simple title encumbered by a legitimate deed of trust in favor of Blue Ridge, recorded with the Jackson County Register of Deeds on January 24, 1994. As a result of JONES's false certification, Commonwealth Land Title issued a title insurance policy.

32. On or about February 24, 1994, JONES mailed, or caused to be mailed, to Blue Ridge the title insurance policy issued by Commonwealth Land Title regarding the property subject to the deed of trust recorded on January 24, 1994.

33. In or about September of 1994, Cagle wanted to borrow more money from Blue Ridge. Once again to evade the \$500,000 LTOB limit, Cagle conveyed property into the name of a relative, the relative appeared to borrow the money, and Cagle himself actually received the loan proceeds.

To accomplish this, on or about September 6, 1994, Cagle had his cousin Ora L. Cagle, Jr., an employee at Cagle & Son, apply for a loan from Blue Ridge for \$170,000. So that Ora Cagle would have collateral to secure the loan, Charles Cagle had JONES prepare a deed conveying from Charles Cagle and his wife to Ora Cagle a house and real property in the Rivercrest subdivision of Jackson County. Blue Ridge approved the loan and closing was set for September 14, 1994, at JONES's law office.

34. On or about September 12, 1994, JONES submitted to Commonwealth Land Title the attorney's preliminary certificate of title, in which he correctly noted that there were two outstanding deeds of trust on the Rivercrest property: one to Richard and Lucy Langill in the original sum of \$45,900, and a second deed of trust to First Union National Bank in the original sum of \$50,000.

35. On or about September 14, 1994, Blue Ridge delivered to JONES a check for \$170,000 made payable to the order of the Thomas Jones, Attorney Trust Account. That same day, JONES deposited the check into his trust account. The instructions to JONES from Blue Ridge were that he was to conduct a closing whereby Blue Ridge would obtain a first deed of trust on the property in order to secure the \$170,000 promissory note.

36. On or about September 14, 1994, JONES conducted the closing at his law office. JONES prepared a promissory note and a deed of trust for this transaction. As an essential part of his duties as the closing attorney, JONES also prepared a HUD-1 Settlement Statement. That Settlement Statement falsely stated at Line 109 that \$36,518.71 from the loan proceeds had been used to pay off "Richard Langel" and at Line 110 that \$21,371.09 of the loan proceeds had been used to pay off First Union National Bank. The HUD-1, therefore, fraudulently reflected that the two outstanding deeds of trust (as well as \$1800 in additional, legitimate closing costs) had been paid

off from the loan proceeds, and falsely stated at Line 303 that the "Cash to Borrower" was \$110,310.20. At the bottom of the HUD-1, in the Certification section, JONES signed his name to this statement: "The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement."

37. In truth and in fact, as JONES well knew, the HUD-1 was false, as was JONES's signed certification. On or about September 14, 1994, rather than using money from the loan proceeds to pay off the outstanding deeds of trust and then disbursing the remainder to the borrower, JONES in fact wrote from his trust account a check to O. L. Cagle, Jr., for \$167,569, representing the entire loan proceeds, minus only closing costs and fees. Charles Cagle forged Ora Cagle's signature on the back of that check and deposited it into Charles Cagle's account at First Citizens Bank.

38. On or about September 14, 1994, JONES submitted, or caused his secretary to submit, to the office of the Jackson County Register of Deeds the deed conveying the Rivercrest property from Cagle and his wife to Ora L. Cagle, Jr., as well as the deed of trust on that property between Ora Cagle and Blue Ridge. That deed and that deed of trust were recorded by the Register of Deeds on September 14, 1994, at 10:07 a.m.

39. On or about September 14, 1994, in order to maintain the false appearance that he had complied with his instructions from Blue Ridge by paying off the two outstanding deeds of trust and had secured, at the time of closing, a valid first lien on the property, JONES delivered, or caused to be delivered, to Blue Ridge the promissory note, the deed of trust, and the false HUD-1 Settlement Statement.

40. Also to maintain the same false appearance, on or about September 19, 1994, JONES mailed to Commonwealth Land Title in Asheville an attorney's final certificate, in which he falsely certified that as of September 14, 1994, at 10:07 a.m., there were no outstanding mortgages, deeds of trust, or vendor's liens on the property other than the new Blue Ridge deed of trust. As a result of JONES's false certification, Commonwealth Land Title issued a title insurance policy.

41. With regard to all of the loans mentioned in this indictment, it was Charles Cagle who made the loan payments to Blue Ridge. Eventually, Cagle became delinquent on his payments with regard to these loans as well as other loans he had obtained from Blue Ridge, and Blue Ridge instituted foreclosure proceedings.

42. In 1997, in the General Court of Justice, Superior Court Division, in Jackson County, File Number 97SP48, Blue Ridge sought foreclosure on the deed of trust supposedly signed by the Espinosas, as notarized by JONES's secretary on January 21, 1994, and which JONES had recorded with the Register of Deed on January 24, 1994. The Espinosas testified in that matter that their supposed signatures on the deed of trust were forgeries, and that they were unaware of the existence of the deed of trust until they had received notices from Blue Ridge about delinquent loan payments.

43. On or about November 21, 1997, in a hearing on this foreclosure, JONES testified under oath at the Jackson County Justice and Administration Building. At that time, JONES was asked about the events of January 21, 1994, and responded as follows:

Q. Do you recall either of them [the Espinosas] ever having been in your office?

A. Not specifically. They could have been. I really don't have any recollection.

Q. Okay. You prepared documents for a prior loan for them as well, didn't you?

A. I think that's correct. I have a file that would indicate that, uh-huh.

Q. Do you remember whether or not they were in your office on that occasion?

A. I have no specific recollection.

In truth and in fact, JONES knew that the Espinosas had not appeared at his office on the occasion of the March 1993 loan or the January 1994 loan. JONES's testimony was intended to continue to conceal and disguise the true nature, location, ownership, and control of the proceeds of the loans which had supposedly been made to the Espinosas.

44. On or about March 3, 1998, in that same foreclosure case, JONES gave a sworn deposition at the Jackson County Courthouse. With regard to the March 1993 loan, JONES was asked and responded as follows:

Q. Do you remember a loan that you closed on the same date for \$280,000 with the same [bank] in which Jamie Espinosa and Cheri Espinosa apparently signed the note or deed of trust?

A. The only recollection I have of that transaction is by reviewing the documents in my file.

Q. Well, once you reviewed these two documents, do you recollect or recall the transactions?

A. You mean do I independently have a recollection of the transaction?

Q. Yes.

A. Not independent of the documents in my file.

Once again, in order to continue to conceal and disguise the true nature, location, ownership, and control of the proceeds of the loans which had supposedly been made to the Espinosas, JONES falsely denied having any recollection of these closings.

45. In that same deposition, JONES also testified:

Q. Is it your belief, based upon your review of the documents, the Espinosas were present, or is it your belief that they were not present?

A. Based upon looking at the documents, it -- I would believe that they were present.

Q. Would you believe that it was the Espinosas that signed the note and the deed of trust?

A. Yes.

Q. Do you recall whether or not Mr. Cagle was present?

A. No.

These sworn statements by JONES were also intended to continue to conceal the true nature, location, ownership, and control of the loan proceeds.

46. In the state court foreclosure proceedings, the court ultimately determined that the Espinosa's signatures were forgeries and that the deed of trust was therefore invalid.

47. In 1998, Blue Ridge brought suit against JONES for his actions with regard to the supposed Espinosa loans. That suit was filed in the General Court of Justice, Superior Court Division, Buncombe County, File Number 98CVS351. On or about July 13, 1999, JONES testified under oath at a deposition in Asheville, North Carolina. In that deposition, JONES again made false statements and falsely claimed memory lapses in order to continue to conceal the true location,

ownership, and control of the Espinosa loan proceeds. Thus, JONES testified with regard to the March 11, 1993, deed of trust:

Q. Mr. Jones, I'm handing you what's marked as Exhibit Number 1. Would you look at the second page of that exhibit, please. Did you instruct [JONES's secretary] to notarize the signatures of the Espinosas?

A. I don't know.

Q. You don't know or --

A. I don't know if I did or not. You mean specifically instruct her? I don't know.

Q. Do you remember if the Espinosas appeared in your office that day?

A. I assume they did.

48. Later in that same deposition, JONES testified further about the March 11, 1993, loan closing:

Q. Who was present when you conducted the closing?

A. I'm assuming the Espinosas were present. And other than that I don't know, but probably Charles Cagle was present and maybe [the president of Blue Ridge].

* * *

Q. Did Charles Cagle have an interest in this closing besides family interest?

A. Not to my knowledge.

49. JONES also testified about the second supposed Espinosa loan:

Q. Do you recall that closing?

A. No.

* * *

Q. Did that closing take place in your office?

A. I don't know. It could have.

* * *

Q. Besides [the president of Blue Ridge], who else was present in your office on January 21st, 1994 that had anything to do with this closing?

A. I assume the Espinosas were.

Q. Do you remember specifically if they were there?

A. No.

COUNTS ONE THROUGH THREE

Paragraphs 1 through 49 are realleged and incorporated by reference herein.

On or about the dates set forth below, in Jackson County and Buncombe County, within the Western District of North Carolina and elsewhere, the defendant,

THOMAS W. JONES,

Charles E. Cagle, and others known and unknown to the Grand Jury, aiding and abetting each other, devised a scheme and artifice, as set forth below, to defraud Blue Ridge Savings Bank, the deposits of which were then insured by the Federal Deposit Insurance Corporation, and to obtain moneys, funds, credits, assets, and other funds owned by and under the custody and control of Blue Ridge Savings Bank, by means of false and fraudulent pretenses, representations, and promises.

<u>COUNT</u>	<u>DATE OF OFFENSE</u>	<u>SCHEME AND ARTIFICE</u>
ONE	From on or about March 3, 1993 through on or about March 18, 1993	As set forth in Paragraphs 1 through 16
TWO	From on or about January 21, 1994 through on or about February 24, 1994	As set forth in Paragraphs 18 through 32
THREE	From on or about September 6, 1994 through on or about September 19, 1994	As set forth in Paragraphs 33 through 40

All in violation of Title 18, United States Code, Sections 1344 and 2.

COUNT FOUR

From on or about March 3, 1993, through on or about March 11, 1993, in Jackson County and Buncombe County, in the Western District of North Carolina, the defendant,

THOMAS W. JONES,

and Charles E. Cagle, and others known and unknown to the Grand Jury, knowingly made material false statements for the purpose of influencing the action of Blue Ridge Savings Bank, the deposits of which were then insured by the Federal Deposit Insurance Corporation, and aided and abetted one another in committing such an offense, in connection with an application, advance, commitment, and loan, in that on or about March 3, 1993, and March 4, 1993, Charles E. Cagle falsely stated on a loan application to Blue Ridge Savings Bank that the true borrowers and recipients of a loan of \$280,000 from Blue Ridge Savings Bank would be Jamie Espinosa and Cheri Espinosa. Further, on or about March 11, 1993, THOMAS W. JONES prepared a promissory note for the \$280,000 loan, which was then purportedly signed by Jamie and Cheri Espinosa, when in truth and in fact, as THOMAS W. JONES well knew, the Espinosas did not sign the promissory note, but rather Charles E. Cagle

forged their signatures. Further, to secure the loan, on or about March 11, 1993, THOMAS W. JONES prepared a Deed of Trust to Blue Ridge Savings Bank for property located at 58 Alvin Dillard Road, Sylva, North Carolina. This Deed of Trust was purportedly signed by Jaime and Cheri Espinosa, when in truth and in fact, as THOMAS W. JONES well knew, the Espinosas did not sign the Deed of Trust, but rather Charles E. Cagle forged the signatures of the Espinosas.

All in violation of Title 18, United States Code, Sections 1014 and 2.

COUNT FIVE

On or about March 11, 1993, in Jackson County and Buncombe County, in the Western District of North Carolina, the defendant,

THOMAS W JONES,

and Charles E. Cagle, and others known and unknown to the Grand Jury, knowingly and with the intent to defraud Blue Ridge Savings Bank, the deposits of which were then insured by the Federal Deposit Insurance Corporation, participated, shared in, and received, directly and indirectly, money and benefits through a transaction and loan of Blue Ridge Savings Bank, and aided and abetted one another in the commission of such offense, in that on or about March 11, 1993, the defendant THOMAS W. JONES and Charles E. Cagle caused Blue Ridge Savings Bank to make a loan of \$280,000, purportedly to Jamie Espinosa and Cheri Espinosa, and caused the issuance of a check from Blue Ridge Savings Bank to the trust account of THOMAS W. JONES for \$280,000, which THOMAS W. JONES deposited into his trust account on or about March 11, 1993.

All in violation of Title 18, United States Code, Sections 1005 and 2.

COUNT SIX

On or about January 21, 1994, in Jackson County and Buncombe County, in the Western District of North Carolina, the defendant,

THOMAS W. JONES,

Charles E. Cagle, and others known and unknown to the Grand Jury, knowingly made material false statements for the purpose of influencing the action of Blue Ridge Savings Bank, the deposits of which were then insured by the Federal Deposit Insurance Corporation, and aided and abetted one another in committing such an offense, in connection with an application, advance, commitment, and loan, in that Charles E. Cagle falsely stated on a loan application to Blue Ridge Savings Bank that the true borrowers and recipients of a loan of an additional \$187,000 from Blue Ridge Savings Bank were Jamie Espinosa and Cheri Espinosa. Further, on or about January 21, 1994, the defendant THOMAS W. JONES prepared a promissory note for a total \$467,000 loan, which was then purportedly signed by Jamie and Cheri Espinosa, when in truth and in fact, as THOMAS W. JONES well knew, the Espinosas did not sign the promissory note, but rather Charles E. Cagle forged their signatures. Further, to secure the loan, on or about January 21, 1994, THOMAS W. JONES prepared a Deed of Trust to Blue Ridge Savings Bank for property located at 58 Alvin Dillard Road, Sylva, North Carolina, as well as three additional tracts of land located off of Highway 107 in Jackson County, North Carolina. This Deed of Trust was purportedly signed by Jamie and Cheri Espinosa, when in truth and in fact, as and THOMAS W. JONES well knew, the Espinosas did not sign the Deed of Trust, but rather Charles E. Cagle forged the signatures of the Espinosas.

All in violation of Title 18, United States Code, Sections 1014 and 2.

COUNT SEVEN

From on or about January 21, 1994, through on or about January 24, 1994, in Jackson County and Buncombe County, in the Western District of North Carolina, the defendant,

THOMAS W JONES,

Charles E. Cagle, and others known and unknown to the Grand Jury, knowingly and with the intent to defraud Blue Ridge Savings Bank, the deposits of which were then insured by the Federal Deposit Insurance Corporation, participated, shared in, and received, directly and indirectly, money and benefits through a transaction and loan of Blue Ridge Savings Bank, and aided and abetted one another in the commission of such offense, in that the defendant THOMAS W. JONES and Charles E. Cagle caused Blue Ridge Savings Bank to make a loan of an additional \$187,000, purportedly to Jamie Espinosa and Cheri Espinosa, on or about January 21, 1994, and a check from Blue Ridge Savings Bank to the Trust Account of THOMAS W. JONES for \$187,000 was issued by Blue Ridge Savings Bank and given to THOMAS W. JONES. Rather than deposit that check into his Trust Account, THOMAS W. JONES endorsed that check and converted it into the functional equivalent of cash. Charles E. Cagle endorsed the check by signing, on its back, "Charles Cagle," and deposited that check into the First Citizens Bank account of Charles E. Cagle on or about January 24, 1994.

All in violation of Title 18, United States Code, Sections 1005 and 2.

COUNT EIGHT

On or about September 14, 1994, in Jackson County and Buncombe County, in the Western District of North Carolina, the defendant,

THOMAS W. JONES,

knowingly made a material false statement for the purpose of influencing the action of Blue Ridge Savings Bank, the deposits of which were then insured by the Federal Deposit Insurance Corporation, in connection with an application, advance, commitment, and loan, in that THOMAS W. JONES falsely stated and certified on a HUD-1 Settlement Statement submitted to Blue Ridge Savings Bank that he had caused two outstanding deeds of trust to be paid off from the loan proceeds of a loan for \$170,000 made by Blue Ridge Savings Bank supposedly to Ora L. Cagle, Jr., and that THOMAS W. JONES had thereby ensured that Blue Ridge Savings Bank had obtained a first deed of trust on the property being used as collateral on this loan. In fact, THOMAS W. JONES disbursed the entire proceeds, less fees and expenses, to the borrower, and did not pay off the two outstanding deeds of trust.

All in violation of Title 18, United States Code, Section 1014.

COUNT NINE

Paragraphs 1 through 49 are realleged and incorporated herein.

From on or about March 4, 1993, through on or about September 14, 1994, in Jackson County and Buncombe County, within the Western District of North Carolina, the defendant,

THOMAS W. JONES,

and Charles E. Cagle, did combine, conspire, confederate, and agree with one another, and with others known and unknown to the Grand Jury, to commit offenses against the United States, including violations of Title 18, United States Code, Sections 1344 (bank fraud, as set forth in Counts One, Two, and Three of this indictment), 1014 (making a material false statement to influence the action of a financial institution in the making of a loan, as set forth in Counts Four, Six,

and Eight of this indictment), and 1005 (fraudulently receiving or sharing in money or benefits through a loan or other act of a financial institution, as set forth in Counts Five and Seven of this indictment). In furtherance of this conspiracy, the defendant THOMAS W. JONES, Charles E. Cagle, and others known and unknown to the Grand Jury did commit or cause the commission of at least one overt act in the Western District of North Carolina, as set forth in Paragraphs 1 through 49 above.

All in violation of Title 18, United States Code, Section 371.

COUNT TEN

Paragraphs 1 through 49 are realleged and incorporated herein.

From on or about March 4, 1993, through on or about July 13, 1999, in Jackson County and Buncombe County, within the Western District of North Carolina, the defendant,

THOMAS W. JONES,

and Charles E. Cagle, did combine, conspire, confederate, and agree with one another, and with others known and unknown to the Grand Jury, to commit offenses against the United States, as follows:

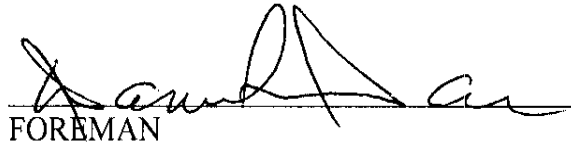
Knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, to conduct and attempt to conduct such a financial transaction knowing that the transaction was designed in whole or in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

The manner and means used by the defendant and his co-conspirators were those set forth in Paragraphs 7 through 14, and 21 through 26 of this indictment.

In furtherance of this conspiracy and to achieve the objects thereof, the defendant and his co-conspirators committed and caused to be committed the overt acts in the Western District of North Carolina, as set forth in Paragraphs 7 through 16, 18 through 32, and 43, 44, 45, 47, 48, and 49 of this indictment.

All in violation of Title 18, United States Code, Section 1956(h).

A TRUE BILL



FOREMAN

ROBERT J. CONRAD, JR.
UNITED STATES ATTORNEY



RICHARD LEE EDWARDS
ASSISTANT UNITED STATES ATTORNEY